SaskPower International Inc.

Annual Report

December 31, 1999

100-05062/

Report of Management

Management is responsible for the integrity of the financial data reported by SaskPower International Inc. Fulfilling this responsibility requires the preparation and presentation of financial statements and other data using management's best judgment, estimates and appropriately selected accounting principles applied on a basis consistent with the preceding year.

Management maintains an appropriate system of internal control which provides reasonable assurance that SaskPower International Inc.'s assets are safeguarded and that financial records are relevant and reliable.

The Board of Directors, through the Audit Committee, ensures that management fulfills its responsibility for financial reporting and internal control. The Audit Committee consists of outside directors and at regular meetings discusses audit, internal control, and financial reporting matters with management, internal auditors and external auditors. The Audit Committee has reviewed the financial statements and submitted its report to the Board of Directors.

On behalf of Management,

David Hughes
President and Chief Executive Officer
February 9, 2000

John Wright
Chairman of the Board

Auditors' Report

To the Members of the Legislative Assembly
of Saskatchewan

We have audited the statement of financial position of SaskPower International Inc. as at December 31, 1999 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of SaskPower International Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of SaskPower International Inc. as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Regina, Saskatchewan
February 9, 2000

Chartered Accountants

SASKPOWER INTERNATIONAL INC.
Statement of Financial Position
as at December 31

	1999	1998
ASSETS		
CURRENT ASSETS		
Cash	$ 693,465	$ 338,104
Accounts receivable	499,957	324,688
Other	24,047	13,250
	1,217,469	676,042
EQUIPMENT		
Equipment	3,457	3,457
Accumulated depreciation	3,457	3,457
	-	-
TOTAL ASSETS	$ 1,217,469	$ 676,042
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 948,095	$ 458,442
Deferred revenue	287,279	53,211
TOTAL LIABILITIES	1,235,374	511,653
EQUITY		
Equity advances (Note 3)	3,477,492	3,457,084
Share capital (Note 3)	100	100
Deficit	(3,495,497)	(3,292,795)
TOTAL EQUITY (DEFICIT)	(17,905)	164,389
TOTAL LIABILITIES AND EQUITY	$ 1,217,469	$ 676,042

Financial Instruments (Note 5)

See accompanying notes

_____, John Wright, Chairman of the Board

_____, Donald Mintz, Director

SASKPOWER INTERNATIONAL INC.
Statement of Loss and Deficit
For the year ended December 31

	1999	1998
REVENUE		
Flyash sales	$1,492,515	$2,039,100
Consulting and contract services	852,900	408,734
TOTAL REVENUE	$2,345,415	2,447,834
EXPENSES		
Business development	26,883	113,692
Cost of goods sold (Note 2)	1,265,305	1,302,538
Salaries and benefits	798,427	777,096
Administration	457,502	934,966
TOTAL EXPENSES	2,548,117	3,128,292
NET LOSS	(202,702)	(680,458)
DEFICIT, beginning of the year	(3,292,795)	(2,612,337)
DEFICIT, end of year	$(3,495,497)	$(3,292,795)

See accompanying notes

SASKPOWER INTERNATIONAL INC.
Statement of Cash Flows
For the year ended December 31

	1999	1998
OPERATING ACTIVITIES		
Net Loss	$(202,702)	$(680,458)
Non-cash items included in the above	-	-
Net change in non-cash working capital (Note 4)	303,587	(87,006)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	100,885	(767,464)
FINANCING ACTIVITIES		
Equity advances (Note 3)	20,408	1,089,592
Deferred revenue	234,068	(110,909)
CASH PROVIDED BY FINANCING ACTIVITIES	254,476	978,683
INCREASE IN CASH POSITION	355,361	211,219
CASH, beginning of year	338,104	126,885
CASH, end of year	$ 693,465	$ 338,104

See accompanying notes

SaskPower Commercial Inc. was incorporated pursuant to *The Business Corporations Act (Saskatchewan)* effective September 15, 1994 . The name was amended to SaskPower International Inc. effective August 27, 1998. SaskPower International Inc. is a wholly-owned subsidiary of Saskatchewan Power Corporation ("SaskPower"). The financial results of the Corporation are included in the consolidated financial statements of SaskPower. The Corporation contributes to the long-term success of SaskPower by creating opportunities in non-core and international markets in addition to enhancing the value realized from the skills, technologies and products resident in SaskPower.

As a subsidiary of a Crown corporation, the Corporation is not subject to federal or provincial income tax.

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles. The following policies are considered to be significant:

a) REVENUE RECOGNITION

The Corporation uses the percentage of completion method for contract and consulting services. Flyash sales revenue is recognized on delivery.

b) EQUIPMENT

Equipment is recorded at cost. Depreciation is calculated straight-line over a three year period.

c) FOREIGN CURRENCY TRANSLATION

Transactions denominated in a currency other than Canadian dollars are translated to Canadian dollars by applying exchange rates in effect at the transaction date. At year end monetary assets and liabilities denominated in a foreign currency are translated using the exchange rate at that date. Any resulting foreign currency translation gains and losses are included in the statement of loss and deficit in the current period.

2. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year-end, are as follows:

	1999
Revenue, flyash	$35,927
Revenue, consulting and contract services	$11,299
Salaries, benefits and administration expenses	$16,511

Included in accounts payable and accrued liabilities is $631,261 (1998 - $138,758) trade accounts payable to SaskPower. Included in cost of goods sold, business development and administration expenses is $549,130 (1998 - $348,589) paid to SaskPower. Flyash sales consist of sales of the by-product flyash, which is supplied by SaskPower at no cost. In 1999, $241,186 (1998 - $212,092) was paid to SaskPower through a flyash profit sharing plan to offset the costs of flyash production and handling.

SaskPower provides certain management services to the Corporation for no consideration.

3. EQUITY

SaskPower International Inc. has received advances from SaskPower to form part of its equity capitalization. The advances reflect an equity investment in the Corporation by SaskPower.

The Corporation is authorized to issue an unlimited number of common shares with no par value. As at December 31, 1999, 100 common shares were issued and outstanding. There were no shares issued during 1999.

4. NET CHANGE IN NON-CASH WORKING CAPITAL

	1999	1998
Accounts receivable	$(175,268)	$204,851
Other current assets	(10,798)	(1,692)
Accounts payable and accrued liabilities	489,653	(290,165)
	$ 303,587	$ (87,006)

5. FINANCIAL INSTRUMENTS

The carrying values of all financial instruments including cash, accounts receivable, accounts payable, accrued liabilities, and other liabilities and deferred revenue approximate fair value due to the short period to maturity.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

As of December 31, 1999, the Corporation has minimal credit risk exposure. Accounts Receivable include approximately $169,944 in flyash sales receivables from several construction and concrete companies. The Corporation is not exposed to other significant concentrations of credit risk. Management has determined that all receivables are collectible and credit terms are in place to mitigate significant losses.

6. CONTINGENCIES

There is a possibility that a lawsuit may be filed in respect to acquisition activities. No such lawsuit has been filed and the Corporation believes that it has a credible defense against such a claim. An estimate of the amount is not determinable.

7. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.